



How to Buy Real Estate at a 72% Discount

Description

Market volatility is creating a ton of opportunity. One of the best places to invest is real estate. Property stocks have plummeted, even though many won't be impacted on a long-term basis.

But property investing can be tricky. While there are countless options, not all businesses will succeed equally.

Fortunately, there's one real estate stock that's trading at a 72% discount. Looking deeper, this is far from a low-quality company. In fact, it owns some of the best assets in the world.

If you want to capitalize on the market's gyrations by purchasing world-class property at a [deep discount](#), take a look at the following stock.

This is *the* stock

Brookfield Property Partners L.P. ([TSX:BPY.UN](#))(NASDAQ:BPY) is an incredible business. If there was ever a one-stop-shop for real estate investors, this would be it.

Brookfield owns one of the largest and highest quality portfolios in the industry. You're likely familiar with its flagship assets. It owns Potsdamer Platz in Berlin, First Canadian Place in Toronto, Canary Wharf in London, Brookfield Place in New York City, and the Fashion Show building in Las Vegas.

As the list above foretells, Brookfield's real estate is located all around the globe. The property classes are also diversified. Roughly 40% of its portfolio is classified as office, with another 40% marked as retail.

The remaining 20% is a broad mix of multifamily, hospitality, self-storage, student housing, and manufactured housing properties.

At the start of 2020, Brookfield demonstrated several times that its real estate assets were worth *more* than their stated book values. Its 1 Manhattan West project was sitting on a \$1 billion unrealized gain,

while its 100 Bishopsgate office tower had generated an *additional* \$1 billion gain.

Brookfield's property portfolio is massive, but the data suggested that shares should trade at or above book value. Today, the stock trades at a 72% *discount* to book value. While the coronavirus pandemic is to blame for the rapid decline in valuation, if you're willing to look beyond short-term volatility, this could be an incredible chance to capitalize.

Bet on real estate

Today, Brookfield's portfolio trades at 0.28 times book value — the lowest valuation in its history.

There's no doubt that the portfolio will be impacted this year. Business activity and growth have stagnated, hurting its office assets. Foot traffic has also fallen off a cliff, a direct blow to its retail real estate. Negative headwinds could last months, even years. But does that really justify a 72% discount?

The first concern should be survival. Does Brookfield have enough cash to outlast the pandemic? All indicators look positive. The company maintains investment-grade leverage metrics on each individual property, has the capacity to raise an additional \$5 billion in debt, and has a liquidity lifetime through its parent company, **Brookfield Asset Management Inc.**

The next concern is whether the value of Brookfield's portfolio is [impaired](#). Businesses may look to move employees to remote work, while physical retailers may shut their doors for good. There's no way Brookfield is currently worth more than its stated book value in this environment.

But all this begs the question: has the pandemic lowered the value of Brookfield's portfolio by 72% on a *permanent* basis? The answer is likely no. In fact, in five to 10 years, there's a good chance that its prized real estate is worth *more* than their stated value.

This looks like a fantastic way to bet on world-class real estate at a deep discount. The only requirement is that you maintain patience throughout the crisis, keeping a long-term view.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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